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**TOWN OF MERRYVILLE**

**FINANCIAL REPORT**

**For the Year Ended June 30, 1997**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date FEB 03 1998

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**TOWN OF MERRYVILLE  
Merryville, Louisiana**

**GENERAL PURPOSE FINANCIAL STATEMENTS**

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**Independent Auditor's Report**

Honorable Margaret Krasso, Mayor and Aldermen  
Town of Merryville  
Merryville, Louisiana

I have audited the accompanying general-purpose financial statements of the Town of Merryville, Merryville, Louisiana as of and for the year ended June 30, 1997, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Town of Merryville's management. My responsibility is to express an opinion on these general-purpose financial statements based on my audit.

Except as discussed in the following paragraph, I conducted my audit in accordance with generally accepted auditing standards, and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As discussed at the Schedule of Findings and Questioned Costs, the absence of a system of internal accounting controls, precluded me from adequately establishing the propriety, in accordance with Statement on Auditing Standards No. 82, of the Town's disbursements for the year.

The Town did not present a statement of cash flows or revenues, expenditures, and changes in fund balance - budget to actual, for the general and special revenue fund type for the year ended June 30, 1997. Presentation of such statements for proprietary fund types and those governmental funds for which budgets have been legally adopted is required by generally accepted accounting principles.

In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the Town maintained an internal control system, or had I been able to satisfy myself that no improprieties existed in disbursements during the year, and except for the omission of the statements of cash flow and revenues, expenditures, and changes in fund balances - budget to actual, and that results in an incomplete presentation as explained in the preceding paragraph, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Town of Merryville, Merryville, Louisiana, as of June 30, 1997, and the results of its operations and the cash flows of its proprietary fund and non expendable trust fund, if applicable, for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, I have also issued my report dated December 17, 1998, on my consideration of the Town of Merryville's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants.

**Town of Merryville**  
**Combined Balance Sheet**  
**All Fund Types and Account Groups**  
**June 30, 1997**

	<u>Governmental</u>		<u>Proprietary</u>		<u>Account Groups</u>		<u>Totals</u>
	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Enterprise Fund</u>	<u>General Fixed Asset</u>	<u>General Long-term Obligation</u>	<u>(Memorandum-Only)</u>	
<b>ASSETS</b>							
Cash (Note 10)	\$ 5,705	\$ 5,386	\$ 2,422	\$	\$	\$ 13,513	
Cash equivalents (Note 10)			489			489	
Receivables (net) (Note 2)							
Accounts	492	11,630	19,150			31,272	
Employee advances	8,652	3,770	4,257			16,679	
Interest			85			85	
Taxes	1,606					1,606	
Restricted assets (Notes 4 & 10)							
Cash			71,460			71,460	
Investments			9,275			9,275	
Property, plant, and equipment, net			1,491,028			1,491,028	
Amount to be provided for long-term debt			1,598,166		400,306	400,306	
Land				600		600	
Buildings				69,267		69,267	
Improvements				205,107		205,107	
Equipment				98,238		98,238	
<b>Total Assets</b>	<b>\$ 16,455</b>	<b>\$ 20,786</b>	<b>\$ 1,598,166</b>	<b>\$ 373,212</b>	<b>\$ 400,306</b>	<b>\$ 2,408,925</b>	
<b>LIABILITIES AND FUND EQUITY</b>							
Liabilities:							
Bank overdraft		1,736				1,736	
Accounts payable	2,452	6,024	3,525			12,001	
Taxes payable	492	9,086	6,860			16,438	
Bonds payable					400,306	400,306	
Customer deposits			7,378			7,378	
Total Liabilities	2,944	16,846	17,763		400,306	437,859	
Fund Equity:							
Investment in general fixes assets (Note 5)				373,212		373,212	
Contributed capital			2,446,747			2,446,747	
Retained earnings (deficit) -			37,375			37,375	
Reserved for contingency funds (Note 4)			(903,719)			(903,719)	
Unreserved (Note 11)			(866,344)			(866,344)	
Total retained earnings (deficit)							
Fund Balances:							
Unreserved - undesignated	13,511	3,940				17,451	
Total Liabilities & Fund Equity	\$ 16,455	\$ 20,786	\$ 1,598,166	\$ 373,212	\$ 400,306	\$ 2,408,925	

The accompanying notes are an integral part of this statement.

Statement B

**Town of Merryville**  
**All Governmental fund Types**  
**Combined Statement of Revenues, Expenditures, and Changes In Fund Balances -**  
**For The Year Ended June 30, 1997**

	<u>Governmental Fund Types</u>		<u>Totals</u> <u>Memorandum-Only</u>
	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Revenue</u> <u>Fund</u>	
<b>Revenues:</b>	\$	\$	\$
Taxes	22,901	94,535	117,436
Licenses and permits	38,340		38,340
Intergovernmental	118,582		118,582
Fines and forfeits	13,131		13,131
Rent charged to other funds	21,122		21,122
Miscellaneous revenues	1,918		1,918
<b>Total Revenues</b>	<u>215,994</u>	<u>94,535</u>	<u>310,529</u>
<b>Expenditures:</b>			
General government	197,409		197,409
Public safety	31,250		31,250
Streets and parks		33,016	33,016
Sanitation		49,084	49,084
Debt service:			
Principal retirement	36,569		36,569
Interest charges	2,740		2,740
<b>Total Expenditures</b>	<u>267,968</u>	<u>82,100</u>	<u>350,068</u>
Excess (deficiency) of revenues over expenditures before transfers	(51,974)	12,435	(39,539)
<b>Other Financing Sources (Uses):</b>			
Transfers In	39,309	5,845	45,154
Transfers Out	(32,029)	(39,309)	(71,338)
Excess (deficiency) of revenues over expenditures after transfers	(44,694)	(21,029)	(65,723)
<b>Fund Balances, Beginning of Year</b>	<u>58,205</u>	<u>36,472</u>	<u>94,677</u>
<b>Fund Balances, End of Year</b>	<u>\$ 13,511</u>	<u>\$ 15,443</u>	<u>\$ 28,954</u>

The accompanying notes are an integral part of this statement.

**Town of Merryville  
Enterprise Funds**

Statement C

**Combined of Revenues, Expenses And Changes In Retained Earnings (Deficit)  
For The Year Ended June 30, 1997**

	<u>Water Utility</u>	<u>Sewer Operations</u>	<u>Total</u>
Operating Revenues:			
Charges for services	\$ 133,127	\$ -	\$ 133,127
<b>Total Operating Revenues</b>	<u>133,127</u>	<u>-</u>	<u>133,127</u>
Operating Expenses:			
Salaries and wages	23,404	9,402	32,806
Utilities	1,900	1,105	3,005
Repairs	8,407		8,407
Professional fees	2,481	160	2,641
Contract labor	21,436	7,648	29,084
Insurance	5,432		5,432
Supplies	25,092	1,446	26,538
Auto expense	14,710		14,710
Depreciation	7,864	71,779	79,643
Sales taxes expense	5,445	3,442	8,887
Other costs	2,600	32,749	35,349
<b>Total Operating Expenses</b>	<u>118,771</u>	<u>127,731</u>	<u>246,502</u>
<b>Operating Income (Loss)</b>	<b>14,356</b>	<b>(127,731)</b>	<b>(113,375)</b>
Nonoperating revenues:			
Interest income			
Taxes collected		172,430	172,430
Miscellaneous income		333	333
<b>Total Nonoperating Income</b>	<b>-</b>	<b>172,763</b>	<b>172,763</b>
Nonoperating Expenses:			
Interest expense			-
Rent expense	21,122		21,122
<b>Total Nonoperating Expenses</b>	<u>21,122</u>	<u>-</u>	<u>21,122</u>
<b>Net Income (loss) Before Transfers</b>	<b>(6,766)</b>	<b>45,032</b>	<b>38,266</b>
Other Financing Sources (Uses):			
Transfers In	9,660	25,674	35,334
Transfers Out	(25,674)	(117,926)	(143,600)
<b>Net Income (loss) After Transfers</b>	<u>(22,780)</u>	<u>(47,220)</u>	<u>(70,000)</u>
Retained Earnings (deficit), Beginning of Year	(32,880)	(800,839)	(833,719)
Retained Earnings (deficit), End of Year	<u>\$ (55,660)</u>	<u>\$ (848,059)</u>	<u>\$ (903,719)</u>

The accompanying notes are an integral part of this statement.

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**TOWN OF MERRYVILLE**  
Merryville, Louisiana

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 1997**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Town of Merryville have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. With respect to proprietary activities, the Town of Merryville has adopted GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting." The entity has elected to apply all applicable GASB as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) Opinions, issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the entity's accounting policies are described below.

**A. REPORTING ENTITY**

In accordance with the Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity," the entity has presented the entities which comprise the primary government in the fiscal year 1997 general purpose financial statements.

The Town of Merryville is a corporation governed by a Mayor/Board of Aldermen form of government. As required by Generally Accepted Accounting Principles, the general purpose financial statements present the reporting entity which consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the entity's general purpose financial statements to be misleading or incomplete.

**B. BASIS OF ACCOUNTING**

The accompanying financial statements of the Town of Merryville have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**C. FUND ACCOUNTING**

The Town of Merryville uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. On the other hand, an account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because assets and liabilities that are not recorded in the funds do not directly affect net expendable financial resources.

**TOWN OF MERRYVILLE**  
Merryville, Louisiana

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 1997**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Funds of the Town of Merryville are classified into two categories: Governmental and proprietary. In turn, each category is divided into separate fund types. The fund classifications and a description of each existing fund type are as follows:

**Governmental Funds**

Governmental funds account for all or most of the Town of Merryville's general activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets, and the servicing of general long-term debt. Governmental funds include:

**General Fund**

The general operating fund of the Town of Merryville accounts for all financial resources, except those required to be accounted for in other funds.

**Special Revenue Funds**

These Funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

**Proprietary Funds**

Proprietary Funds are used to account for the Town of Merryville's ongoing activities that are similar to those found in the private sector and consist of *enterprise funds*. Proprietary funds differ from governmental funds in that their focus is on income measurement, which, together with the maintenance of equity, is an important financial indicator. The Town of Merryville has one proprietary fund which is as follows:

**Enterprise Fund**

This fund accounts for operations financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or service to the public is financed primarily through user charges.

**D. Accountant Groups**

**General Fixed Assets Account Group:**

The general Fixed assets Account Group reflects the cost of fixed assets of a stewardship nature acquired or constructed by the Town except the assets of the proprietary fund types which are reported in those funds.

**TOWN OF MERRYVILLE  
Merryville, Louisiana**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1997**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Long-term Debt Account Group:**

The long-term Debt account group accounts for all long-term debt back by the full faith and credit of the Town other than general long-term debt serviced by the enterprise funds.

**E. Restricted Assets**

Restricted assets are reserved for sinking and future contingencies:

**F. Compensated Absences:**

Full time employees of the Town are granted annual and sick leave.

**G. Total Columns on Combined Statements - Overview**

Total columns on the combined statements - overview are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations, in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**H. BASIS OF ACCOUNTING**

**Governmental Funds**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are actually included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The modified accrual basis of accounting is used by all governmental funds and fiduciary funds. The governmental funds used the following practices in recording revenues and expenditures:

Sales Taxes are considered measurable when in the hands of the intermediary collecting governments and are recognized at that time.

Ad Valorem Taxes are recorded in the year the taxes are due and payable. Ad valorem taxes are assessed on a calendar year basis, they become due on November 15 of each year, and become delinquent on December 31. The taxes are generally collected in December, January, and February of the fiscal year.

Alcohol and Tobacco Taxes are collected and remitted to the Town of Merryville by the Louisiana Department of Revenue and Taxation.

**TOWN OF MERRYVILLE**  
Merryville, Louisiana

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 1997**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Occupational Licenses are collected by the Beauregard Parish Sheriff's office and remitted to the Town of Merryville.

Franchise Taxes are collected by the Town of Merryville.

Video Poker Proceeds are collected by the Louisiana Department of Revenue and Taxation and remitted to the Town of Merryville.

Alcohol and Tobacco Taxes, Occupational Licenses and Video Poker proceeds are considered measurable. Franchise Taxes are recognized when collected.

Miscellaneous revenues are recorded when received because they are generally unmeasurable until actually received.

**Expenditures**

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

Salaries are recorded when paid.

Principle and interest on general long-term debt is recognized when it is due.

Compensated absences are immaterial and are not recorded in these statements.

Other Financing Sources (Uses) are transfers between funds that are not expected to be repaid (or any other types, such as capital lease transactions, sale of fixed assets, debt extinguishment, long-term debt proceeds, et cetera) are accounted for as other financing sources (uses). These other financing sources (uses) are recognized at the time the underlying events occur.

**Proprietary Funds**

All proprietary funds are accounted for on a flow of economic resources measurement focus and a determination of net income and capital maintenance measurement focus, all assets and all liabilities are associated with the measurement focus.

These funds are included on the balance sheet. Proprietary funds use the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized at the time the liabilities are incurred.

**I. BUDGETS**

Annual budgets are required by state statute for the general fund and special revenue funds. The debt service fund budgets are controlled by related bond ordinances.

**TOWN OF MERRYVILLE**  
Merryville, Louisiana

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 1997**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Town of Merryville used the following budget practices:

Date budget published	1997
Date budget available	
Date of Public Hearing	NO BUDGET
Date budget adopted	

The budget should be adopted by the Town of Merryville and is submitted, as required by statute no later than September 15 for their approval.

Appropriations (unexpended budget balances) lapse at year end.

The general fund and the special revenue fund budgets are prepared on the modified accrual basis of accounting. The proprietary fund budget is prepared on the accrual basis of accounting.

All budget revisions are approved by the Town of Merryville.

Formal budget integration (within the accounting records) is employed as a management control device. All budgets are controlled at the division, departmental or project level. However, when projected revenues within a fund fail to meet budgeted revenues and/or projected expenditures within a fund exceed budgeted expenditures by 5 per cent or more, a budget amendment is adopted by the Town of Merryville in an open meeting. Budget amounts included in the accompanying financial statements include the original adopted budget and all subsequent amendments.

**J. CASH AND CASH EQUIVALENTS**

Cash includes amounts in demand deposits and interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the Town of Merryville may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Under state law, the Town of Merryville may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are stated at cost.

**K. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES**

During the course of operations, numerous transactions occur between individual funds for services rendered. These receivables and payables are classified as due from other funds or due to other funds on the balance sheet. Short-term interfund loans are classified as interfund receivables/payables.

**TOWN OF MERRYVILLE**  
Merryville, Louisiana

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 1997**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**  
**L. FIXED ASSETS**

**General Fixed Assets**

Fixed assets of governmental funds are recorded as expenditures at the time they are purchased or constructed, and the related assets are capitalized (reported) in the general fixed assets account group. Public domain or infrastructures are capitalized (construction period interest is capitalized). No depreciation has been provided on general fixed assets. All fixed assets are valued at cost.

**Enterprise Fund Equipment**

Enterprise fund equipment is valued at historical cost. Depreciation has been provided over an estimated useful life of 12 years using the straight-line method.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Water Utility -	
Wells	15 - 35 years
Storage Tanks	35 years
Pumps	15 years
Distribution System	10 - 35 years
Autos and Trucks	10 years
Other Equipment	3 - 5 years
Sewer Operations -	
Pump Stations	40 years
Lines	40 years
Buildings	40 years
Intangibles	40 years

All fixed assets are stated at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are stated at their estimated fair market value on the date donated.

**M. LONG-TERM OBLIGATIONS**

Long-term obligations expected to be financed from governmental funds are reported in the general long-term obligations account group. Expenditures for principal and interest payments for long-term obligations are recognized in the governmental funds when due.

**TOWN OF MERRYVILLE**  
Merryville, Louisiana

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 1997**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**N. FUND EQUITY**

**Reserves/Designated Fund Balances**

Reserves represent those portions of fund equity not appropriable for expenditures or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

**O. INTERFUND TRANSACTIONS**

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as deductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transaction and reimbursements are reported as transfers. Nonrecurring or nonrouting permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**P. SALES AND USE TAX**

The Town of Merryville collects revenue from a 3% sales tax that is dedicated to sewer fund operations (1%), street (1%) and garbage (1%).

**Q. TOTAL COLUMNS ON COMBINED STATEMENTS**

The total columns on the combined statements are captioned Memorandum Only to indicated that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the not been made in the aggregation of this data.

**NOTE 2 - CASH AND CASH EQUIVALENTS**

At June 30, 1997, the Town of Merryville has cash and cash equivalents (book balances) totaling \$94,737 which was actually on hand and/or deposited in an approved bank. All deposits are stated at cost and approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. These deposits are secured from risk by \$100,000 of federal deposit insurance.

**TOWN OF MERRYVILLE**  
Merryville, Louisiana

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 1997**

**NOTE 3 - INTERGOVERNMENTAL RECEIVABLES**

Amounts due from other governmental units consist of receivables for reimbursement of expenditures under various programs and grants. All amounts are expected to be collected within the next twelve months.

**NOTE 4 - FIXED ASSETS**

The changes in general fixed assets are as follows:

	<u>Balance</u> <u>7-1-96</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6-30-97</u>
Land	\$ 600			\$ 600
Building	69,267			69,267
Improvements	195,756	9,351		205,107
Equipment	<u>98,238</u>	<u>          </u>		<u>98,238</u>
Total	<u>\$ 363,861</u>	<u>9,351</u>		<u>\$ 373,212</u>

**NOTE 5 - CHANGES IN GENERAL LONG-TERM OBLIGATIONS**

The following is a summary of the long-term obligation transaction for the year ended June 30, 1997:

	Bonds
Beginning Balance	\$462,375
Additions	
Deductions	<u>( 62,069)</u>
Ending Balance	<u>\$400,306</u>

**NOTE 6 - FUND EQUITY DESIGNATIONS**

It is the Town of Merryville's policy to reserve a portion of the Enterprise Fund retained earnings for contingencies. These reservations were recorded in the Enterprise Fund at June 30, 1997.

**NOTE 7 - LITIGATION AND CLAIMS**

The Town of Merryville is not aware of any pending litigation or claims at June 30, 1997.

**NOTE 8 - ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

*Supplemental Information Schedule*

**Town of Merryville  
Special Revenue Funds  
Combining Balance Sheet  
June 30, 1997**

Schedule 1

	<u>Garbage Tax Fund</u>	<u>Street Tax Fund</u>	<u>Totals Memorandum-Only</u>
<b>Assets</b>			
Cash	\$ 5,386	\$	\$ 5,386
Accounts receivable	6,311	5,319	11,630
Employee advances	<u>855</u>	<u>2,915</u>	<u>3,770</u>
<b>Total Assets</b>	<b><u>\$ 12,552</u></b>	<b><u>\$ 8,234</u></b>	<b><u>\$ 20,786</u></b>
<b>Liabilities and Fund Balance</b>			
Liabilities:			
Bank overdraft	\$	\$ 1,736	\$ 1,736
Accounts payable	3,081	2,943	6,024
Payroll tax payable	<u>5,977</u>	<u>3,109</u>	<u>9,086</u>
<b>Total Liabilities</b>	<b>9,058</b>	<b>7,788</b>	<b>16,846</b>
Fund Balances:			
Unreserved	<u>3,494</u>	<u>446</u>	<u>3,940</u>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 12,552</u></b>	<b><u>\$ 8,234</u></b>	<b><u>\$ 20,786</u></b>

**Town of Merryville  
Special Revenue Funds**

Schedule 2

**Combining Schedule of Revenues, Expenditures, And Changes In Fund Balances  
For The Year Ended June 30, 1997**

	<u>Garbage Tax Fund</u>	<u>Street Tax Fund</u>	<u>Totals Memorandum-Only</u>
<b>Revenues:</b>			
Taxes	\$ 47,267	\$ 47,267	\$ 94,534
Total Revenues	<u>47,267</u>	<u>47,267</u>	<u>94,534</u>
<b>Expenditures:</b>			
Salaries and wages	18,484	15,289	33,773
Supplies	150	5,882	6,032
Contract labor	2,084	9,308	11,392
Legal and professional fees		2,020	2,020
Repairs and maintenance		12,109	12,109
Truck expense		5,281	5,281
Sanitation expense	27,990		27,990
Other services and charges	406	1,284	1,690
Total Expenditures	<u>49,114</u>	<u>51,173</u>	<u>100,287</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	<u>(1,847)</u>	<u>(3,906)</u>	<u>(5,753)</u>
<b>Other Financing Sources (Uses):</b>			
Transfers In	11,294	4,850	
Transfers Out		(17,139)	
Proceeds from bond issuance			
Excess (deficiency) of revenues over expenditures after other financing sources (uses)	<u>9,447</u>	<u>(16,195)</u>	<u>(6,748)</u>
Fund Balances, Beginning of Year	<u>(5,953)</u>	<u>16,641</u>	<u>10,688</u>
Fund Balances, End of Year	<u>\$ 3,494</u>	<u>\$ 446</u>	<u>\$ 3,940</u>

*Other Reports Required By Government Auditing  
Standards*

*Gleen O. Everhart*

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor Margaret Krasso, and Board of Aldermen  
Town of Merryville  
Merryville, Louisiana

I have audited the general-purpose financial statements of the Town of Merryville, Merryville, Louisiana, as of and for the year ended June 30, 1997 and have issued my report thereon dated December 17, 1998. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As a part of obtaining reasonable assurance about whether the Town of Merryville's, Merryville, Louisiana, general-purpose financial statements are free of material misstatement, I performed tests of its compliance with certain provision of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and, accordingly, I do not express such an opinion. The results of my test disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questions costs as items.

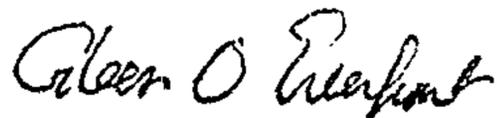
Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Town of Merryville's, Merryville, Louisiana, internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the general-purpose financial statements and not to provide assurance on the internal control over financial reporting. However, I noted matters involving the internal control over financial reporting and its operations that I considered to be a reportable condition. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the Town of Merryville's, Merryville, Louisiana, ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. Reportable are described in the accompanying schedule of findings and questioned costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general-purpose financial statements being auditing may occur and not be detected within a timely period by employees in the normal course of their assigned functions. My consideration of

the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions, and, accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses.

This report is intended for the information of the Town of Merryville, management, and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.



December 17, 1998

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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 1997**

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued:	Qualified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Reportable condition(s) identified not considered to be material weakness?	Yes
Noncompliance material to financial statements noted?	Yes
Auditee qualified as low-risk auditee?	No

**Section II – Financial Statement Findings**

*Finding No. 1:*

Criteria:	Statutory
Condition:	The audit was not completed and filed in accordance with La. R.S. 24:513(a)(5)(a).
Questioned cost:	None
Finding Perception:	This is not an isolated case. This is the second or more years that the Town has been late filing their audit report.
Asserted effect:	Untimely filings affects the Town's compliance with laws and regulations. Also, the availability of future grants could be affected.
Recommendation:	None
Management's response:	Management concurs.

*Finding No. 2:*

Criteria: Statutory

Condition: The Town did not file IRS Forms W-2 for 1995.

Questioned cost: None

Finding Perception: This is should be an isolated case.

Asserted effect: Failure to file the required W-2's has resulted in the Internal Revenue Service penalizing the Town in excess of \$7,000.

Recommendation: None

Management's response: Management has imitated action to have the penalties set aside. Also, the Service has agreed to set those penalties aside, once the W-2's have been filed. Action is being taken to file the W-2's.

*Finding No. 3:*

Criteria: Statutory

Condition: The Town did not comply with the State Budget Statutes.

Questioned cost: None

Finding Perception: Town personnel did not understand the requirements of the law:

Asserted effect: Failure to comply with the law, precluded the citizens of Merryville having input into the Town budgeting and spending process.

Recommendation: That the Town follow the legal requirements of Budget preparation in the future.

Management's response: In the future, Management will fully comply with the budgetary statutes.

*Finding No. 4:*

Criteria: Statutory

Condition: The Town violated Article 7, Section 14 of the Louisiana Constitution by paying advances to the Town's employees.

Questioned cost: \$16,679

Finding Perception: Town personnel did not understand the requirements of the law:

Asserted effect: These advances caused the Town to establish a receivable (Employee advances) in its financial statements and the likelihood of not collecting the amounts advanced is all but assured. Some (approximately half) of the \$16,679 can not be

substantiated by audit. Also, for that one half, there is no record of the employees receiving the advances. The employees receiving the other half are known to the Town Management.

**Recommendation:** That the Town collect those advances that can be collected and with of the remainder as a loss..

**Management's response:** Management agrees and will attempt to collect the advances.

***Finding No. 5:***

**Criteria:** Statutory

**Condition:** The Town violated the provisions of the Internal Revenue Service Code when it used contract labor.

**Questioned cost:** \$29,084

**Finding Perception:** Town paid personnel as contract laborers and circumvented the law.

**Asserted effect:** There was no report made to the Internal Revenue Service of the amounts paid. Law requires that anyone receiving \$600 or more per year be given a Form 1099 Misc. Then those form must be filed with the Service. This was never done.

**Recommendation:** That the Town attempt to issue te appropriate Forms 1099 Misc.

**Management's response:** Management agrees and will attempt to issue the forms:.

***Finding No. 6:***

**Criteria:** Statutory

**Condition:** The Town violated the provisions of the Internal Revenue Service Code when it failed to report additional compensation paid to town officials to the Service.

**Questioned cost:** Undetermined

**Finding Perception:** Town officials received additional compensation that was not reported to the Service.

**Asserted effect:** There was no report made to the Internal Revenue Service of the amounts additional compensation paid. Law requires that anyone receiving \$600 or more per year be given a Form 1099 Misc. Then those form must be filed with the Service. This was never done.

**Recommendation:** That the Town attempt to issue te appropriate Forms 1099 Misc.

**Management's response:** Management agrees and will attempt to issue the forms:.

*Finding No. 7:*

**Criteria:** Statutory

**Condition:** The Town presumably furnished \$3,396 in meals to its employees and there is no record to support this being an authorized expenditure.

**Questioned cost:** \$3,396

**Finding Perception:** This is also additional compensation that should have been reported to the Service, unless it can be shown that it was mandatory that the employees conduct business during their lunch hour.

**Asserted effect:** There was no report made to the Internal Revenue Service of the amounts additional compensation paid. Law requires that anyone receiving \$600 or more per year be given a Form 1099 Misc. Then those forms must be filed with the Service. This was never done.

**Recommendation:** That the Town attempt to issue the appropriate Forms 1099 Misc.

**Management's response:** Management agrees and will attempt to issue the forms.

*Finding No. 6:*

**Criteria:** Internal Control

**Condition:** The Town does not have a system of internal accounting control.

**Questioned cost:** None

**Finding Perception:** Lack of understanding of control requirements.

**Asserted effect:** The Town's ability to produce financial statements and safeguard its assets is a risk. Also, the reasons for the above findings is a direct result of the lack of these necessary controls.

**Recommendation:** That the Town establish the necessary controls.

**Management's response:** Management will establish the controls.

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**TOWN OF MERRYVILLE**

**FINANCIAL REPORT**

**For the Year Ended June 30, 1998**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date ~~3/20/98~~

**TOWN OF MERRYVILLE  
Merryville, Louisiana**

**GENERAL PURPOSE FINANCIAL STATEMENTS**

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**Independent Auditor's Report**

Honorable Margaret Krasso, Mayor and Aldermen  
Town of Merryville  
Merryville, Louisiana

I have audited the accompanying general-purpose financial statements of the Town of Merryville, Merryville, Louisiana as of and for the year ended June 30, 1998, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Town of Merryville's management. My responsibility is to express an opinion on these general-purpose financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Town of Merryville, Merryville, Louisiana, as of June 30, 1998, and the results of its operations and the cash flows of its proprietary fund and non expendable trust fund, if applicable, for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, I have also issued my report dated December 17, 1998, on my consideration of the Town of Merryville's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants.

My audit was performed for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Because generally accepted accounting principles require the presentation of fund type and account groups, the information in the total memorandum-only column is not intended to present financial position and results of operation of the Town of Merryville, in conformity with generally accepted accounting principles' however, in my opinion, it is fairly presented in all material respects in relation to the general-purpose financial statements from which it has been derived.

  
December 17, 1998

**Town of Merryville  
Combined Balance Sheet  
All Fund Types and Account Groups  
June 30, 1998**

ASSETS	Governmental			Proprietary		Account Groups		Totals (Memorandum- Only)
	General Fund	Special Revenue Fund	Enterprise Fund	General Fixed Asset	Long-term Obligation	General Fixed Asset	Long-term Obligation	
Cash	\$ 44,041	\$ 24,822	\$ 37,115					\$ 105,978
Receivables (net)								
Accounts	17,886	12,859						30,745
Employee advances	9,752	3,770	4,257					17,779
Interest								
Taxes	6,052							6,052
Restricted assets								
Cash			34,718					34,718
Investments			7,636					7,636
Property, plant, and equipment, net			1,491,028					1,491,028
Amount to be provided for long-term debt					363,972			363,972
Land				600				600
Buildings				69,267				69,267
Improvements				205,107				205,107
Equipment				118,969				118,969
<b>Total Assets</b>	<b>\$ 77,731</b>	<b>\$ 41,451</b>	<b>\$ 1,574,754</b>	<b>\$ 393,943</b>	<b>\$ 363,972</b>	<b>\$ 393,943</b>	<b>\$ 363,972</b>	<b>\$ 2,451,851</b>
<b>LIABILITIES AND FUND EQUITY</b>								
Liabilities:								
Accounts payable	14,695							14,695
Taxes payable								
Bonds payable					363,972			363,972
Customer deposits			7,378					7,378
<b>Total Liabilities</b>	<b>14,695</b>		<b>7,378</b>		<b>363,972</b>			<b>386,045</b>
Fund Equity:								
Investment in general fixes assets				393,943				393,943
Contributed capital								
Retained earnings (deficit) -								
Reserved for contingency funds			58,856					58,856
Unreserved								
<b>Total retained earnings (deficit)</b>			<b>2,577,603</b>					<b>2,577,603</b>
Fund Balances:								
Unreserved - undesignated	63,011	41,451	(1,010,227)					(905,765)
<b>Total Liabilities &amp; Fund Equity</b>	<b>\$ 77,706</b>	<b>\$ 41,451</b>	<b>\$ 1,574,754</b>	<b>\$ 393,943</b>	<b>\$ 363,972</b>	<b>\$ 393,943</b>	<b>\$ 363,972</b>	<b>\$ 2,451,826</b>

The accompanying notes are an integral part of this statement.

**Town of Merryville**  
**All Governmental fund Types**  
**Combined Statement of Revenues, Expenditures, and Changes In Fund Balances -**  
**For The Year Ended June 30, 1998**

Statement B

	<u>Governmental Fund Types</u>		<u>Totals</u> <u>Memorandum-Only</u>
	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Revenue</u> <u>Fund</u>	
<b>Revenues:</b>	\$	\$	\$
Taxes	24,834		24,834
Licenses and permits	46,683		46,683
Intergovernmental	109,097		109,097
Fines and forfeits	81,086		81,086
Rent charged to other funds	7,520		7,520
Other services and charges	29,111		29,111
<b>Total Revenues</b>	<u>298,331</u>	<u>-</u>	<u>298,331</u>
<b>Expenditures:</b>			
General government	173,565		173,570
Public safety	33,462		33,462
Salaries and fringe benefits		33,377	33,377
Contract labor		17,804	17,804
Legal and professional fees		16,189	16,189
Repairs and maintenance		24,749	24,749
Truck expense		23,512	23,512
Sanitation expense		42,136	42,136
Debt service:			
Principal retirement	39,069		
Interest charges	2,735		
Other services and charges		195	195
<b>Total Expenditures</b>	<u>248,831</u>	<u>157,962</u>	<u>406,793</u>
Excess (deficiency) of revenues over expenditures before transfers	49,500	(157,962)	(108,462)
Other Financing Sources (Uses):			
Transfers In		195,473	195,473
Transfers Out			-
Excess (deficiency) of revenues over expenditures after transfers	49,500	37,511	87,011
<b>Fund Balances, Beginning of Year</b>	<u>13,511</u>	<u>3,940</u>	<u>17,451</u>
<b>Fund Balances, End of Year</b>	<u>\$ 63,011</u>	<u>\$ 41,451</u>	<u>\$ 104,462</u>

The accompanying notes are an integral part of this statement.

**Town of Merryville  
General Fund**

Statement C

**Statement of Expenditures Compared To Budget (GAAP Basis)  
For The Year Ended June 30, 1998**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>			
Taxes	\$ 28,000	\$ 24,834	\$ 3,166
Licenses and permits	24,250	46,683	(22,433)
Intergovernmental	6,500	109,097	(102,597)
Fines and forfeits	5,000	81,086	(76,086)
Rent charged to other funds	15,200	7,520	7,680
Other services and charges	51,620	29,111	22,509
<b>Total Revenues</b>	<b>63,750</b>	<b>298,331</b>	<b>(234,581)</b>
<b>Expenditures:</b>			
<b>General Government:</b>			
Personal services	5,000	173,565	(168,565)
<b>Debt Service:</b>			
Principal retirement		39,069	(39,069)
Interest charges		2,735	(2,735)
<b>Total General Government</b>	<b>5,000</b>	<b>215,369</b>	<b>(210,369)</b>
<b>Public Safety:</b>			
<b>Police -</b>			
Personal services	41,000	33,462	7,538
<b>Total Public Safety</b>	<b>41,000</b>	<b>33,462</b>	<b>7,538</b>
<b>Total Expenditures</b>	<b>46,000</b>	<b>248,831</b>	<b>(202,831)</b>
<b>Excess (deficiency) of revenues over expenditures before transfers</b>	<b>17,750</b>	<b>49,500</b>	<b>(31,750)</b>
<b>Other Financing Sources:</b>			
Transfers In			-
Transfers Out			-
<b>Excess (deficiency) of revenues over expenditures after transfers</b>	<b>17,750</b>	<b>49,500</b>	<b>-</b>
<b>Fund Balance, Beginning of Year</b>	<b>4,000</b>	<b>13,511</b>	<b>(9,511)</b>
<b>Fund Balance, End of Year</b>	<b>\$ 21,750</b>	<b>\$ 63,011</b>	<b>\$ (41,261)</b>

The accompanying notes are an integral part of this statement.

**Town of Merryville  
Street Tax Fund**

Statement D

**Statement of Revenues, Expenditures, and Changes In Fund Balances  
Budget (GAAP Basis) And Actual  
For The Year Ended June 30, 1998**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Expenditures:</b>			
Salaries and fringe benefits	\$ 6,000	\$ 15,602	\$ (9,602)
Contract labor	1,000	8,047	(7,047)
Legal and professional fees	13,000	16,189	(3,189)
Repairs and maintenance	10,000	24,749	(14,749)
Truck expense	20,000	23,512	(3,512)
Total Expenditures	<u>50,000</u>	<u>88,099</u>	<u>(38,099)</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	(50,000)	(88,099)	38,099
Other Financing sources (Uses)			
Transfers In	39,000	123,719	(84,719)
Transfers Out			
Excess (deficiency) of revenues over expenditures after other financing sources (uses)	(11,000)	35,620	(46,620)
Fund Balances, Beginning of Year	<u>446</u>	<u>446</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ (10,554)</u>	<u>\$ 36,066</u>	<u>\$ (46,620)</u>

the accompanying notes are an integral part of this statement.

**Town of Merryville  
Garbage Tax Fund**

Statement E

**Statement of Revenues, Expenditures, and Changes In Fund Balances  
Budget (GAAP Basis) And Actual  
For The Year Ended June 30, 1998**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Expenditures:</b>			
Salaries and fringe benefits	\$ 6,000	\$ 17,775	(11,775)
Contract labor	9,000	9,757	(757)
Sanitation expense	34,850	42,136	(7,286)
Other services and charges	100	195	(95)
<b>Total Expenditures</b>	<u>49,950</u>	<u>69,863</u>	<u>(19,913)</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	(49,950)	(69,863)	19,913
Other Financing sources (Uses)			
Transfers In	46,850	71,754	(24,904)
Transfers Out			-
Excess (deficiency) of revenues over expenditures after other financing sources (uses)	(3,100)	1,891	(4,991)
Fund Balances, Beginning of Year	<u>3,494</u>	<u>3,494</u>	-
Fund Balances, End of Year	<u>\$ 394</u>	<u>\$ 5,385</u>	<u>\$ (4,991)</u>

The accompanying notes are an integral part of this statement.

**Town of Merryville  
Enterprise Funds**

Statement F

**Combined of Revenues, Expenses And Changes In Retained Earnings (Deficit)  
For The Year Ended June 30, 1998**

	Water Utility	Sewer Operations	Total
<b>Operating Revenues:</b>			
Charges for services	\$ 147,272	\$ -	\$ 147,272
<b>Total Operating Revenues</b>	<b>147,272</b>	<b>-</b>	<b>147,272</b>
<b>Operating Expenses:</b>			
Salaries and wages	22,219	8,888	31,107
Utilities	34,716	20,399	55,115
Repairs	8,407		8,407
Contract labor	12,246	4,898	17,144
Insurance	14,551		14,551
Supplies	49,796		49,796
Auto expense	9,052		9,052
Depreciation	7,864	71,779	79,643
Sales taxes expense	4,372	4,376	8,748
Other costs	7,707	35,000	42,707
<b>Total Operating Expenses</b>	<b>170,930</b>	<b>145,340</b>	<b>316,270</b>
<b>Operating Income (Loss)</b>	<b>(23,658)</b>	<b>(145,340)</b>	<b>(168,998)</b>
<b>Nonoperating revenues:</b>			
Interest income			
Taxes collected		187,469	187,469
Miscellaneous income			-
<b>Total Nonoperating Income</b>	<b>-</b>	<b>187,469</b>	<b>187,469</b>
<b>Nonoperating Expenses:</b>			
Interest expense			-
Rent expense			-
<b>Total Nonoperating Expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Income (loss) Before Transfers</b>	<b>(23,658)</b>	<b>42,129</b>	<b>18,471</b>
<b>Other Financing Sources (Uses):</b>			
Transfers In			-
Transfers Out		(124,979)	(124,979)
<b>Net Income (loss) After Transfers</b>	<b>(23,658)</b>	<b>(82,850)</b>	<b>(106,508)</b>
Retained Earnings (deficit), Beginning of Year	(55,660)	(848,059)	(903,719)
Retained Earnings (deficit), End of Year	\$ (79,318)	\$ (930,909)	\$ (1,010,227)

The accompanying notes are an integral part of this statement.

**Town of Merryville  
Enterprise Fund  
Statement of Cash Flows  
For The Year Ended June 30, 1998**

Statement G

	<b>1998</b>
<b>Cash Flows From Operating Activities</b>	
Net increase in net assets	\$ (168,998)
Adjustment to reconcile operating income to to net cash provided by operating activities	
Depreciation	79,643
Changes in Assets and Liabilities:	
Accounts Receivable	19,235
Accounts Payable	<u>3,353</u>
Net cash used by operating activities	<u>(66,767)</u>
 <b>Cash Flows from Noncapital Financing Activities</b>	
Sales Tax	187,469
Operating Transfers Out	<u>(124,979)</u>
 <b>Net Cash Provided by Noncapital Financing Activities</b>	 62,490
 Decrease in Cash	 (4,277)
 <b>Cash at Beginning of Year</b>	 <u>83,646</u>
 <b>Cash at End of Year</b>	 \$ <u><u>79,369</u></u>

The accompanying notes are an integral part of this statement.

**TOWN OF MERRYVILLE**  
Merryville, Louisiana

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 1998**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Town of Merryville have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. With respect to proprietary activities, the Town of Merryville has adopted GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting." The entity has elected to apply all applicable GASB as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) Opinions, issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the entity's accounting policies are described below.

**A. REPORTING ENTITY**

In accordance with the Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity," the entity has presented the entities which comprise the primary government in the fiscal year 1997 general purpose financial statements.

The Town of Merryville is a corporation governed by a Mayor/Board of Aldermen form of government. As required by Generally Accepted Accounting Principles, the general purpose financial statements present the reporting entity which consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the entity's general purpose financial statements to be misleading or incomplete.

**B. BASIS OF ACCOUNTING**

The accompanying financial statements of the Town of Merryville have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**C. FUND ACCOUNTING**

The Town of Merryville uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. On the other hand, an account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because assets and liabilities that are not recorded in the funds do not directly affect net expendable financial resources.

**TOWN OF MERRYVILLE**  
**Merryville, Louisiana**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 1998**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Funds of the Town of Merryville are classified into two categories: Governmental and proprietary. In turn, each category is divided into separate fund types. The fund classifications and a description of each existing fund type are as follows:

**Governmental Funds**

Governmental funds account for all or most of the Town of Merryville's general activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets, and the servicing of general long-term debt. Governmental funds include:

**General Fund**

The general operating fund of the Town of Merryville accounts for all financial resources, except those required to be accounted for in other funds.

**Special Revenue Funds**

These Funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

**Proprietary Funds**

Proprietary Funds are used to account for the Town of Merryville's ongoing activities that are similar to those found in the private sector and consist of *enterprise funds*. Proprietary funds differ from governmental funds in that their focus is on income measurement, which, together with the maintenance of equity, is an important financial indicator. The Town of Merryville has one proprietary fund which is as follows:

**Enterprise Fund**

This fund accounts for operations financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or service to the public is financed primarily through user charges.

**D. Accountant Groups**

**General Fixed Assets Account Group:**

The general Fixed assets Account Group reflects the cost of fixed assets of a stewardship nature acquired or constructed by the Town except the assets of the proprietary fund types which are reported in those funds.

**TOWN OF MERRYVILLE**  
Merryville, Louisiana

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 1998**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Long-term Debt Account Group:**

The long-term Debt account group accounts for all long-term debt back by the full faith and credit of the Town other than general long-term debt serviced by the enterprise funds.

**E. Restricted Assets**

Restricted assets are reserved for sinking and future contingencies:

**F. Compensated Absences:**

Full time employees of the Town are granted annual and sick leave.

**G. Total Columns on Combined Statements - Overview**

Total columns on the combined statements - overview are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations, in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**H. BASIS OF ACCOUNTING**

**Governmental Funds**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are actually included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The modified accrual basis of accounting is used by all governmental funds and fiduciary funds. The governmental funds used the following practices in recording revenues and expenditures:

Sales Taxes are considered measurable when in the hands of the intermediary collecting governments and are recognized at that time.

Ad Valorem Taxes are recorded in the year the taxes are due and payable. Ad valorem taxes are assessed on a calendar year basis, they become due on November 15 of each year, and become delinquent on December 31. The taxes are generally collected in December, January, and February of the fiscal year.

Alcohol and Tobacco Taxes are collected and remitted to the Town of Merryville by the Louisiana Department of Revenue and Taxation.

**TOWN OF MERRYVILLE**  
Merryville, Louisiana

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 1998**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Occupational Licenses are collected by the Beauregard Parish Sheriff's office and remitted to the Town of Merryville.

Franchise Taxes are collected by the Town of Merryville.

Video Poker Proceeds are collected by the Louisiana Department of Revenue and Taxation and remitted to the Town of Merryville.

Alcohol and Tobacco Taxes, Occupational Licenses and Video Poker proceeds are considered measurable. Franchise Taxes are recognized when collected.

Miscellaneous revenues are recorded when received because they are generally unmeasurable until actually received.

**Expenditures**

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

Salaries are recorded when paid.

Principle and interest on general long-term debt is recognized when it is due.

Compensated absences are immaterial and are not recorded in these statements.

Other Financing Sources (Uses) are transfers between funds that are not expected to be repaid (or any other types, such as capital lease transactions, sale of fixed assets, debt extinguishment, long-term debt proceeds, et cetera) are accounted for as other financing sources (uses). These other financing sources (uses) are recognized at the time the underlying events occur.

**Proprietary Funds**

All proprietary funds are accounted for on a flow of economic resources measurement focus and a determination of net income and capital maintenance measurement focus, all assets and all liabilities are associated with the measurement focus.

These funds are included on the balance sheet. Proprietary funds use the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized at the time the liabilities are incurred.

**I. BUDGETS**

Annual budgets are required by state statute for the general fund and special revenue funds. The debt service fund budgets are controlled by related bond ordinances.

**TOWN OF MERRYVILLE**  
Merryville, Louisiana

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 1998**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Town of Merryville used the following budget practices:

Date budget published	February 1997
Date budget available	February 1997
Date of Public Hearing	None
Date budget adopted	February 1997

Appropriations (unexpended budget balances) lapse at year end.

The general fund and the special revenue fund budgets are prepared on the modified accrual basis of accounting. The proprietary fund budget is prepared on the accrual basis of accounting.

All budget revisions are approved by the Town of Merryville.

Formal budget integration (within the accounting records) is employed as a management control device. All budgets are controlled at the division, departmental or project level. However, when projected revenues within a fund fail to meet budgeted revenues and/or projected expenditures within a fund exceed budgeted expenditures by 5 per cent or more, a budget amendment is adopted by the Town of Merryville in an open meeting. Budget amounts included in the accompanying financial statements include the original adopted budget and all subsequent amendments.

**J. CASH AND CASH EQUIVALENTS**

Cash includes amounts in demand deposits and interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the Town of Merryville may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Under state law, the Town of Merryville may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are stated at cost.

**K. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES**

During the course of operations, numerous transactions occur between individual funds for services rendered. These receivables and payables are classified as due from other funds or due to other funds on the balance sheet. Short-term interfund loans are classified as interfund receivables/payables.

**TOWN OF MERRYVILLE**  
Merryville, Louisiana

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 1998**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**L. FIXED ASSETS**

**General Fixed Assets**

Fixed assets of governmental funds are recorded as expenditures at the time they are purchased or constructed, and the related assets are capitalized (reported) in the general fixed assets account group. Public domain or infrastructures are capitalized (construction period interest is capitalized). No depreciation has been provided on general fixed assets. All fixed assets are valued at cost.

**Enterprise Fund Equipment**

Enterprise fund equipment is valued at historical cost. Depreciation has been provided over an estimated useful life of 12 years using the straight-line method.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Water Utility -	
Wells	15 - 35 years
Storage Tanks	35 years
Pumps	15 years
Distribution System	10 - 35 years
Autos and Trucks	10 years
Other Equipment	3 - 5 years
Sewer Operations -	
Pump Stations	40 years
Lines	40 years
Buildings	40 years
Intangibles	40 years

All fixed assets are stated at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are stated at their estimated fair market value on the date donated.

**M. LONG-TERM OBLIGATIONS**

Long-term obligations expected to be financed from governmental funds are reported in the general long-term obligations account group. Expenditures for principal and interest payments for long-term obligations are recognized in the governmental funds when due.

**TOWN OF MERRYVILLE**  
**Merryville, Louisiana**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 1998**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**N. FUND EQUITY**

**Reserves/Designated Fund Balances**

Reserves represent those portions of fund equity not appropriable for expenditures or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

**O. INTERFUND TRANSACTIONS**

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as deductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transaction and reimbursements are reported as transfers. Nonrecurring or nonrouting permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**P. SALES AND USE TAX**

The Town of Merryville collects revenue from a 3% sales tax that is dedicated to sewer fund operations (1%), street (1%) and garbage (1%).

**Q. TOTAL COLUMNS ON COMBINED STATEMENTS**

The total columns on the combined statements are captioned Memorandum Only to indicated that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the not been made in the aggregation of this data.

**NOTE 2 - CASH AND CASH EQUIVALENTS**

At June 30, 1998, the Town of Merryville has cash and cash equivalents (book balances) totaling \$148,332, which was actually on hand and/or deposited in an approved bank. All deposits are stated at cost and approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. Only \$100,000 of these deposits are secured from risk by the federal deposit insurance corporation. At June 30, 1998, \$48,332 was unsecured.

**TOWN OF MERRYVILLE**  
Merryville, Louisiana

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 1998**

**NOTE 3 - INTERGOVERNMENTAL RECEIVABLES**

Amounts due from other governmental units consist of receivables for reimbursement of expenditures under various programs and grants. All amounts are expected to be collected within the next twelve months.

**NOTE 4 - FIXED ASSETS**

The changes in general fixed assets are as follows:

	<u>Balance</u> <u>7-1-97</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6-30-98</u>
Land	\$ 600	\$	\$	\$ 600
Building	69,267			69,267
Improvements	195,756			205,107
Equipment	<u>98,238</u>	<u>20,731</u>	<u>          </u>	<u>118,969</u>
Total	<u>\$ 363,861</u>	<u>20,731</u>	<u>          </u>	<u>\$ 393,943</u>

**NOTE 5 - CHANGES IN GENERAL LONG-TERM OBLIGATIONS**

The following is a summary of the long-term obligation transaction for the year ended June 30, 1997:

	Bonds
Beginning Balance	\$400,006
Additions	
Deductions	<u>( 39,069)</u>
Ending Balance	<u>\$363,972</u>

**NOTE 6 - FUND EQUITY DESIGNATIONS**

It is the Town of Merryville's policy to reserve a portion of the Enterprise Fund retained earnings for contingencies. These reservations were recorded in the Enterprise Fund at June 30, 1998.

**NOTE 7 - LITIGATION AND CLAIMS**

The Town of Merryville is not aware of any pending litigation or claims at June 30, 1998.

**NOTE 8 - ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**TOWN OF MERRYVILLE**  
Merryville, Louisiana

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 1998**

**Note 9 - Receivables**

Receivables at June 30, 1998 consist of the following:

Receivables:	<u>Special Revenue</u>	<u>General</u>	<u>Enterprise</u>	<u>Total</u>
Accounts	\$ 12,859	\$	\$	\$ 12,859
Video Poker		5,027		5,027
Employee advances	3,770	9,752	4,257	17,779
Taxes				
Tobacco		1,606		1,606
Beer	_____	<u>4,446</u>	_____	<u>4,446</u>
Gross Receivables	16,629	20,831	4,257	41,717
Less: Allowance for Uncollectibles	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Total Receivables	<u>\$ 16,629</u>	<u>\$20,831</u>	<u>\$ 4,257</u>	<u>\$ 41,717</u>

**Note 10 - Subsequent Events**

Subsequent to June 30, 1998, the State of Louisiana Attorney General, based on the recommendation of the State Legislative Auditor, initiated an investigation into certain financial transactions that took place prior to July 1, 1997. The investigation is currently ongoing and the Town is waiting for the Attorney General's report. At this time it is unknown whether or not action will be required or the Town will be required to take action against any former Town officials or employees.

*Supplemental Information Schedule*

**Town of Merryville  
Special Revenue Funds  
Combining Balance Sheet  
June 30, 1998**

Schedule 1

	<u>Garbage Tax Fund</u>	<u>Street Tax Fund</u>	<u>Totals Memorandum-Only</u>
<b>Assets</b>			
Cash	\$ 4,783	\$ 7,600	\$ 12,383
Employee advances	3,770		3,770
<b>Total Assets</b>	<u>\$ 8,553</u>	<u>\$ 7,600</u>	<u>\$ 16,153</u>
<b>Liabilities and Fund Balance</b>			
Liabilities:			
Accounts payable	\$ 12,432	\$	\$ 12,432
Payroll tax payable		32,163	32,163
<b>Total Liabilities</b>	12,432	32,763	45,195
Fund Balances:			
Unreserved	<u>(3,879)</u>	<u>(25,163)</u>	<u>(29,042)</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 8,553</u>	<u>\$ 7,600</u>	<u>\$ 16,153</u>

**Town of Merryville**

Schedule 2

**Special Revenue Funds**

**Combining Schedule of Revenues, Expenditures, And Changes In Fund Balances**

**For The Year Ended June 30, 1998**

	<u>Garbage Tax Fund</u>	<u>Street Tax Fund</u>	<u>Totals Memorandum-Only</u>
<b>Expenditures:</b>			
Salaries and fringe benefits	\$ 17,775	\$ 15,602	\$ 33,377
Contract labor	9,757	8,047	17,804
Legal and professional fees		16,189	16,189
Repairs and maintenance		24,749	24,749
Truck expense		23,512	23,512
Sanitation expense	42,136		42,136
Other services and charges	195		195
<b>Total Expenditures</b>	<u>69,863</u>	<u>88,099</u>	<u>157,962</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	<u>(69,863)</u>	<u>(88,099)</u>	<u>(157,962)</u>
<b>Other Financing Sources (Uses):</b>			
Transfers In	71,754	123,719	195,473
Transfers Out			
Proceeds from bond issuance			
Excess (deficiency) of revenues over expenditures after other financing sources (uses)	<u>1,891</u>	<u>35,620</u>	<u>37,511</u>
Fund Balances, Beginning of Year	<u>3,494</u>	<u>446</u>	<u>3,940</u>
Fund Balances, End of Year	<u>\$ 5,385</u>	<u>\$ 36,066</u>	<u>\$ 41,451</u>

*Other Reports Required By Government Auditing  
Standards*

*Gleen O. Everhart*  
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DeRidder, Louisiana 70634

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Fax(318)462-0120

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor Margaret Krasso and  
Board of Aldermen  
Town of Merryville  
Merryville, Louisiana

I have audited the general-purpose financial statements of the Town of Merryville, Merryville, Louisiana, as of and for the year ended June 30, 1998 and have issued my report thereon dated December 17, 1998. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As a part of obtaining reasonable assurance about whether the Town of Merryville's, Merryville, Louisiana, general-purpose financial statements are free of material misstatement, I performed tests of its compliance with certain provision of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings and questions costs as items.

Internal Control Over Compliance

In planning and performing my audit, I considered the Town of Merryville's, Merryville, Louisiana, internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the general-purpose financial statements and not to provide assurance on the internal control over financial reporting. I noted a matter involving the internal control over financial reporting and its operations that I considered to be a reportable condition. (See finding no.1) . Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the Town of Merryville's, Merryville, Louisiana, ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general-purpose financial statements being auditing may occur and not be detected within a timely period by employees in the normal course of their assigned functions. My consideration of

the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions, and, accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses.

This report is intended for the information of the Town of Merryville, management, and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

December 17, 1998

